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Reserve



October 80/F-15

# FARMERS' NEWSLETTER

## Feed Grains

### Production Down; Prices Up

The U.S. feed grain crop will be substantially below the levels of the last 2 years. Hot, dry weather has caused yields to drop more than 10 percent from the 1978 and 1979 average. The smaller crop, coupled with record demand, particularly by exporters and industrial users, should lower ending stocks to 24 million metric tons. The result: Stronger prices for feed grains in the coming season.

U.S. feed grain production (corn, sorghum, barley, and oats) as of October 1 was forecast at 192 million tons, 18 percent less than 1979/80.

Here's a look at production estimates as of October 1 and representative cash prices on the same day:

- Corn production: 6.47 billion bushels, 17 percent below last year. The Chicago cash price on October 1 was \$3.36 compared with \$2.86 a year ago.
- Sorghum production: 547 million bushels, 33 percent below last year. The Kansas City cash price on October 1 was \$5.42 per cwt; a year earlier it stood at \$4.56.

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The next feed grains newsletter is scheduled for mid-December.

- Barley production: 352 million bushels, 7 percent below last year. The October 1 cash price of barley for feed in Minneapolis was \$2.45 per bushel, compared with \$2.52 last year.
- Oat production: 451 million bushels, 15 percent below last year. The cash price on October 1 in Chicago was \$1.78 compared with \$1.47 a year ago.

### Marketing Options Look Good

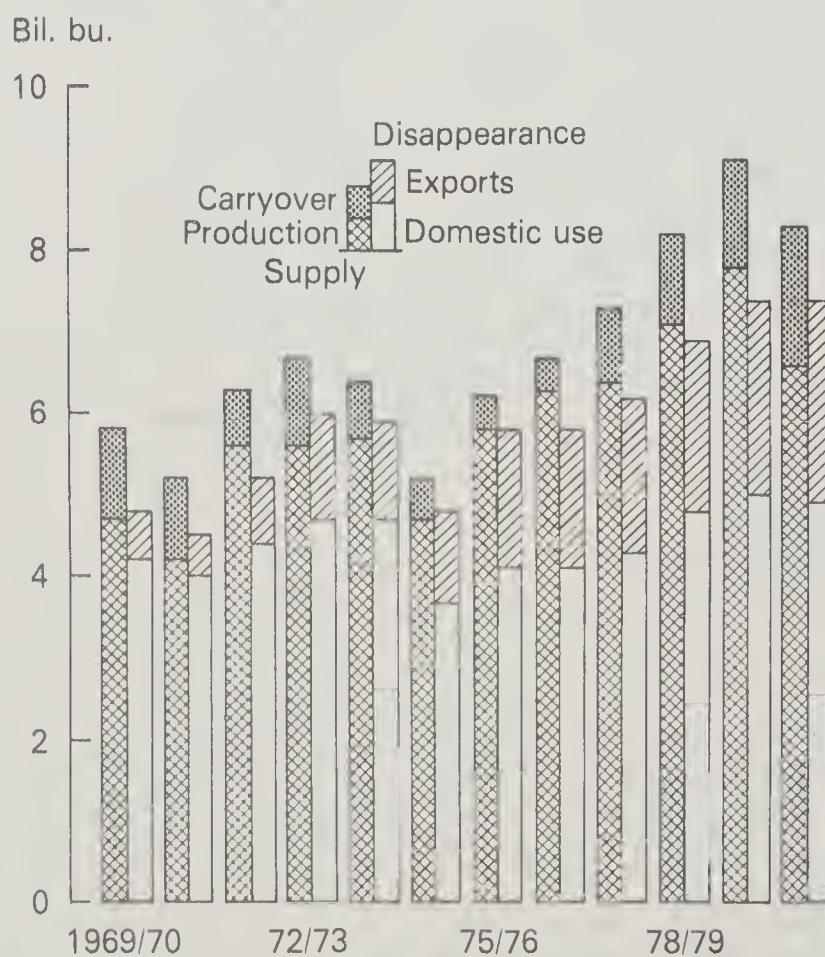
So with a smaller feed grain crop in prospect and prices above a year ago and still rising into harvest, if you are able to harvest a crop, you have several marketing alternatives to consider.

- If you're satisfied with current prices or need cash, you can sell your crop at harvest to a local elevator or other buyer. Farm prices are currently higher than last year at harvest.
- You may decide to lock in a price on a part of your new crop. If the postseason quotations are attractive, look into forward contracting with a local elevator.
- If corn prices reach the reserve call levels of \$3.15 and \$3.26 per bushel, any further price increases may be moderated since there are over 600 million bushels in the reserve with most of it in at the higher call level. USDA's current price projection for corn is ranged from \$3.15 to \$3.50 per bushel.

To protect against any downward price movement caused by large quantities of corn coming back into the market from the reserve, consider hedging part of your crop. Although such a move can protect against lower prices, it may also prevent higher returns if prices move upward. The December 1980 CBOT corn futures price closed at \$3.60 per bushel on October 20; while March futures closed at \$3.71.

- You may want to put your new crop in the reserve. All 1980 crop feed grains are eligible for immediate entry into the reserve. But remember that storage payments are made on a State-by-State basis depending on the State average farm price. Payments are not made in those States where the farm price is above the release price. Corn and sorghum are in release status now.

## CORN SUPPLY DOWN: DEMAND REMAINS STRONG



Supply includes small volume of imports. 1978 preliminary. 1979 midpoint of projected ranges. 1979 forecast. Year beginning October 1.

## FEED GRAIN FARM PRICES RISE

	1979/80	1980/81 <sup>1</sup>
<i>Dollars per bushel</i>		
Corn .....	2.50	3.15-3.50
Sorghum .....	2.35	3.05-3.40
Barley .....	2.31	2.55-2.80
Oats. ....	1.36	1.55-1.80

<sup>1</sup> Estimated.

Storage space may be tight in some areas. Although smaller than last year, this harvest will still be the third largest ever. Despite the dry season, some areas are experiencing record yields which will put pressure on existing storage facilities in those areas. Additionally, the carryin from last season's crop was very large. Planning ahead could prevent storage problems.

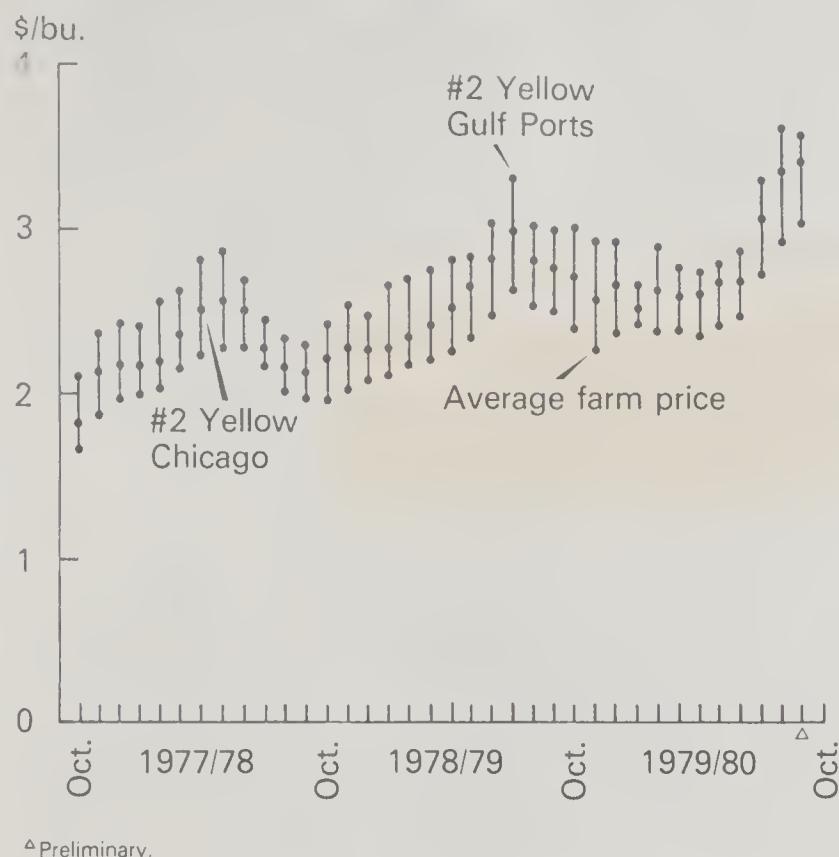
- Due to this season's dry weather, you may qualify for low-yield disaster payments. You're eligible if the total amount of corn, sorghum, or barley you're able to harvest is less than 60 percent of your farm's historical yield times the 1980 acreage of that crop planted for harvest.

If you stayed within your normal crop acreage, you'll get the high disaster payment rate; otherwise, you get the low rate. The high and low rates per bushel are: corn, \$1.18 and \$1.03; sorghum, \$1.25 and \$1.23; and barley, \$1.28 and \$1.15. You'll receive half of the target price for the reduction in production below the 60-percent level. Payments this year are limited to \$100,000 per person.

## Reserve Update

Corn is in release status though prices are approaching the first call level of \$3.15 per bushel. The remaining reserve corn will be called

## CORN PRICES STRENGTHEN



<sup>a</sup>Preliminary.

at \$3.26 per bushel. Sorghum is also in release status. Oats were called from the farmer-owned reserve when farm prices recently moved above the call price of \$1.68 per bushel.

When a commodity is called, you have 90 days from the date of the call notification to either repay your CCC loan or forfeit your grain to the CCC.

## A Growing New Market

A relatively new market for corn--fructose--is coming on strong. The reason? The largest soft drink companies have begun to switch from sugar to fructose to sweeten their drinks. So corn millers are purchasing larger amounts of corn to produce the corn sweeteners.

New corn mills are being planned and built across the country in anticipation of the increased demand. This all adds up to another strong market for corn and higher prices for your product.

## White Corn Prices Hit Alltime High

White corn is bringing record prices. On October 1 in Kansas City, the price was \$6.80 per bushel, nearly \$4.00 per bushel more than last year at that time. Here's why:

- Hot weather reduced prospects for the current crop. Yields will be below last year's record of 88 bushels per acre.
- Export demand has been very strong due to a reduction in exports from South Africa, the world's largest producer.

All this adds up to lower supplies, strong demand, and higher prices in the coming season.

## World Coarse Grain Output Down; U.S. Exports To Reach Record Level

The world coarse grain (feed grain) outlook is characterized by tightened supplies. World production is forecast at 716 million metric tons, about 2 percent below 1979/80's production. Foreign production, however, is expected to increase 30 million tons from last year to 523

## U.S. FEED GRAIN STOCKS TO FALL

	1979/80 Estimated	1980/81 Projected	Range
<i>Million metric tons</i>			
Beginning stocks . . . . .	45.9	53.8	
Production. . . . .	233.9	192.4	±5
Supply, total. . . . .	280.0	246.4	±5
Feed . . . . .	134.8	126.1	±9
Food, seed, and industrial uses. . . . .	20.9	23.2	±1
Domestic use . . . . .	155.7	149.3	±9
Exports. . . . .	70.5	72.9	±6
Use, total. . . . .	226.2	222.2	±13
Ending stocks . . . . .	53.8	24.2	±8

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## **WORLD COARSE GRAIN OUTPUT FALLS; U.S. EXPORTS RISE**

	1979/80 <sup>1</sup> Estimated	1980/81 <sup>1</sup> Projected	Change
<i>Million metric tons</i>			
<b>Production</b>			
United States . .	234.5	192.8	-41.7
Rest of world . .	492.4	522.8	+30.4
Total . . . . .	726.9	715.6	-11.3
<b>Exports</b>			
United States . .	71.6	73.0	-1.4
Rest of world . .	28.6	28.3	.+3
Total . . . . .	100.2	101.3	+.1
<b>Imports</b>			
USSR. . . . .	18.5	15.5	-3.0
Japan. . . . .	18.9	19.1	.+2
China. . . . .	2.0	2.0	0
Rest of world . .	60.8	64.7	+3.9
Total . . . . .	100.2	101.3	+1.1

<sup>1</sup> July/June years.

million metric tons. Larger crops are expected in Canada, Western Europe, and the USSR, and smaller crops in Australia and Eastern Europe.

Poor weather during the past month has hampered crop development and harvesting in the Soviet Union.

However, its coarse grain crop is expected to total 93 million metric tons, a 16-percent increase from 1979.

In spite of increased foreign production and higher U.S. prices, U.S. exports are expected to reach a record and total about 73 million tons, a slight increase over last year's record. The growth of livestock industries in many developed and developing countries has increased the demand for U.S. feed grains. The high export levels may put some strain on our transportation and export facilities.

\* Watch for news of what's in  
\* store for agriculture in 1981. \*  
\* The 1981 Agricultural Outlook \*  
\* Conference gets underway on \*  
\* Monday, November 17 in Wash- \*  
\* ington D.C. There'll be sepa- \*  
\* rate sessions on each of the \*  
\* major commodities--including \*  
\* feed grains. \*

A decorative horizontal separator consisting of a series of asterisks (\*) arranged in a single row.